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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

Commission file number 0-13270

UNB CORP

(Exact name of Registrant as specified in its charter)

Ohio	34-1442295
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

220 Market Avenue, South Canton, Ohio	44702
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (330) 454-5821

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, $1.00 Stated Value	Outstanding at July 31, 2001 10,476,860 Common Shares

UNB CORP.

FORM 10-Q

QUARTER ENDED June 30, 2001

Part I — Financial Information

Item 1 — Financial Statements

Interim financial information required by Rule 10-01 of Regulation S-X (17 CFR Part 210) is included in this Form 10Q as referenced below:

Part II — Other Information

UNBCORP.
CONSOLIDATED BALANCE SHEETS

(In thousands except per share data)	June 30, 2001	December 31, 2000
ASSETS		
Cash and cash equivalents	**$ 33,870**	$ 32,155
Federal funds sold	**0**	0
Interest bearing deposits with banks	**455**	0
Securities, net (Fair value: $31,465 and $52,179, respectively)	**31,442**	52,170
Mortgage-backed securities (Fair value: $92,108 and $78,728, respectively)	**92,098**	78,721
Loans originated and held for sale	**2,489**	3,433
Loans:		
Total loans	**882,411**	872,015
Less allowance for loan losses	**(12,835)**	(12,760)
Net loans	**869,576**	859,255
Premises and equipment, net	**11,098**	11,026
Intangible assets	**2,309**	2,432
Accrued interest receivable and other assets	**35,358**	14,755
Total Assets	**$1,078,695**	$1,053,947
LIABILITIES		
Deposits:		
Noninterest bearing deposits	**$ 104,256**	$ 108,351
Interest bearing deposits	**702,635**	719,290
Total deposits	**806,891**	827,641
Short-term borrowings	**72,299**	81,979
Other borrowings	**111,398**	61,188
Accrued taxes, expenses and other liabilities	**6,842**	7,211
Total Liabilities	**997,430**	978,019
SHAREHOLDERS' EQUITY		
Common stock ($1.00 stated value, 50,000,000 shares authorized; 11,646,258 and 11,646,274 issued, respectively)	**11,646**	11,646
Paid-in capital	**28,989**	28,949
Retained earnings	**61,622**	56,233
Treasury stock, 1,169,313 and 1,209,382 shares at cost	**(21,543)**	(22,004)
Accumulated other comprehensive income	**551**	1,104
Total Shareholders' Equity	**81,265**	75,928
Total Liabilities and Shareholders' Equity	**$1,078,695**	$1,053,947

See Notes to the Consolidated Financial Statements

UNBCORP.
CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Interest income:				
Interest and fees on loans:				
Taxable	$**18,538**	$17,619	$**37,269**	$34,315
Tax exempt	**58**	41	**118**	71
Interest and dividends on securities & mortgage-backed securities:				
Taxable	**1,846**	1,930	**3,711**	3,923
Tax exempt	**39**	30	**87**	51
Interest on bank deposits and federal funds sold	**55**	197	**111**	368
Total interest income	**20,536**	19,817	**41,296**	38,728
Interest expense:				
Interest on deposits	**7,893**	8,652	**16,699**	16,660
Interest on short-term borrowings	**648**	920	**1,500**	1,792
Interest on other borrowings	**1,410**	801	**2,441**	1,589
Total interest expense	**9,951**	10,373	**20,640**	20,041
Net interest income	**10,585**	9,444	**20,656**	18,687
Provision for loan losses	**630**	255	**973**	370
Net interest income after provision for loan losses	**9,955**	9,189	**19,683**	18,317
Other income:				
Service charges on deposits	**769**	674	**1,474**	1,337
Trust Department income	**1,436**	1,462	**2,685**	2,787
Gains on loans originated for resale and sold	**273**	61	**498**	83
Securities gains, net	**4**	334	**1,321**	1,008
Other operating income	**980**	936	**1,925**	1,682
Total other income	**3,462**	3,467	**7,903**	6,897
Other expenses:				
Salary, wages and benefits	**4,085**	3,289	**7,781**	6,608
Occupancy expense	**456**	438	**911**	850
Equipment expense	**966**	939	**1,960**	1,940
Derivative instruments and hedging activity expense	**(17)**	0	**204**	0
Other operating expense	**2,340**	2,296	**4,573**	4,490
Total other expenses	**7,830**	6,962	**15,429**	13,888
Income before income taxes	**5,587**	5,694	**12,157**	11,326
Provision for income taxes	**1,859**	1,953	**4,139**	3,890
Income before accounting method changes	**3,728**	3,741	**8,018**	7,436
Accounting method change — adoption of FAS 133	**0**	0	**14**	0
Net Income	**$ 3,728**	$ 3,741	**$ 8,004**	$ 7,436
Earnings per share:				
Basic	$ **0.36**	$ 0.36	$ **0.77**	$ 0.70
Diluted	$ **0.35**	$ 0.35	$ **0.76**	$ 0.70
Dividends per share	**$ 0.13**	$ 0.12	$ **0.25**	$ 0.24
Weighted average shares outstanding:				
Basic	**10,457,827**	10,529,643	**10,447,218**	10,610,254
Diluted	**10,584,451**	10,628,373	**10,560,733**	10,697,360

See Notes to the Consolidated Financial Statements

UNB CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net Income	$3,728	$3,741	$8,004	$ 7,436
Other comprehensive income, net of tax				
Unrealized gains/(losses) on securities:				
Unrealized gains/(losses) arising during the period	324	(594)	306	(656)
Less: Reclassified adjustment for accumulated gains/(losses) included in net income	3	217	859	655
Unrealized gains/(losses) on securities	321	(811)	(553)	(1,311)
Comprehensive income	$4,049	$2,930	$7,451	$ 6,125

See Notes to the Consolidated Financial Statements

U N B CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(In thousands except per share data)

	Six Months Ended	
	6/30/01	**6/30/00**
Balance at beginning of period	$**75,928**	$70,674
Net Income	**8,004**	7,436
Cash dividends $0.25 and $0.24 per share, respectively	**(2,615)**	(2,542)
Treasury stock purchases	**(102)**	(3,473)
Treasury stock sold and issued for stock options	**597**	0
Tax benefit from non-qualified stock option exercise	**6**	0
Change in market value on securities available for sale, net of deferred taxes	**(553)**	(1,311)
Balance at end of period	$**81,265**	$70,784

See Notes to the Consolidated Financial Statements

UNB CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six months ended June 30, 2001	2000
Cash flows from operating activities:		
Net income	**$ 8,004**	$ 7,436
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	**661**	720
Provision for loan losses	**973**	370
Net securities gains	**(1,321)**	(1,008)
Net amortization/(accretion) on securities	**(373)**	(24)
Amortization of intangible assets	**391**	473
Loans originated for resale	**(36,405)**	(4,874)
Proceeds from sale of loan originations	**37,847**	4,911
Changes in:		
Interest receivable	**664**	(501)
Interest payable	**(180)**	40
Other assets and liabilities, net	**(1,206)**	(909)
Deferred income	**(3)**	(6)
Net cash from operating activities	**9,052**	6,628
Cash flows from investing activities:		
Net change in interest bearing deposits with banks	**(455)**	(494)
Net increase in funds sold	**0**	(3,000)
Investment and mortgage-backed securities:		
Proceeds from sales of securities available for sale	**3,656**	1,527
Proceeds from maturities of securities held to maturity	**1,940**	1,125
Proceeds from maturities of securities available for sale	**99,686**	33,768
Purchases of securities held to maturity	**(320)**	(2,715)
Purchases of securities available for sale	**(84,687)**	(26,887)
Purchases of mortgage-backed securities available for sale	**(30,664)**	(9,266)
Principal payments received on mortgage-backed securities held to maturity	**73**	79
Principal payments received on mortgage-backed securities available for sale	**18,510**	8,924
Net (increase)/decrease in loans made to customers	**(11,792)**	(61,613)
Net increase in bank owned life insurance	**(20,217)**	0
Purchases of premises and equipment, net	**(733)**	(1,116)
Net cash from investing activities	**(25,003)**	(59,668)
Cash flows from financing activities:		
Net increase/(decrease) in deposits	**(20,750)**	46,663
Cash dividends paid, net of shares issued through dividend reinvestment	**(2,615)**	(2,542)
Purchase of treasury stock	**(102)**	(3,473)
Sales of treasury stock	**597**	0
Tax benefit from non-qualified stock option exercise	**6**	0
Net increase/(decrease) in short-term borrowings	**(9,680)**	(2,509)
Proceeds from FHLB advances	**62,400**	1,200
Repayments of FHLB advances	**(14,215)**	(6,946)
Proceeds from bank borrowings	**2,052**	3,500
Repayments on capital lease	**(27)**	(26)
Net cash from financing activities	**17,666**	35,867
Net change in cash and cash equivalents	**1,715**	(17,173)
Cash and cash equivalents at beginning of year	**32,155**	48,354
Cash and cash equivalents at end of period	**$ 33,870**	$ 31,181
Non cash activities:		
Merger with Rownd's for stock	**$ (255)**	0

See the Notes to the Consolidated Financial Statements

UNB CORP.
Notes to Consolidated Financial Statements

Note 1 — Summary of Significant Accounting Policies

Unless otherwise indicated, amounts are in thousands, except per share data.

The accompanying consolidated financial statements include the accounts of UNB Corp. and its wholly owned subsidiaries United National Bank & Trust Co., United Banc Financial Services, Inc. and United Financial Advisors, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

These interim financial statements reflect all adjustments of a normal recurring nature which, in the opinion of management, are necessary to present fairly the consolidated financial position of UNB Corp. at June 30, 2001, and its results of operations and cash flows for the periods presented. The accompanying consolidated financial statements do not purport to contain all the necessary financial disclosures required by generally accepted accounting principles that might otherwise be necessary in the circumstances and are not necessarily indicative of the results to be expected for the full year. The Annual Report for UNB Corp. for the year ended December 31, 2000, contains consolidated financial statements and related notes, which should be read in conjunction with the accompanying consolidated financial statements.

For consolidated financial statement classification and cash flow reporting purposes, cash and cash equivalents include currency on hand and non-interest bearing deposits with banks. For the quarters ended June 30, 2001 and June 30, 2000, UNB Corp. paid interest in the amount of $20,821 and $20,001, respectively. For the same six month periods federal income taxes paid totaled $4,000 and $3,260, respectively.

The Corporation classifies debt and equity securities as held to maturity, available for sale, or trading. Securities classified as held to maturity are those management has the positive intent and ability to hold to maturity. Securities classified as available for sale are those management intends to sell or that could be sold for liquidity, investment management, or similar reasons, even if there is not a present intention for such a sale. Trading securities are purchased principally for sale in the near term and are reported at fair value with unrealized gains and losses included in earnings. The Corporation held no trading securities during the periods reported.

Securities held to maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts. Securities available for sale are carried at fair value, with unrealized holding gains and losses included in other comprehensive income. Gains or losses on dispositions are based on net proceeds and the amortized cost of securities sold, using the specific identification method.

Management analyzes loans on an individual basis and classifies a loan as impaired when an analysis of the borrower’s operating results and financial condition indicates that underlying cash flows are not adequate to meet its debt service requirements. Often this is associated with a delay or shortfall in payments of 30 days or more. Smaller-balance homogeneous loans are evaluated for impairment in total and are excluded from reported impaired loans. Such loans include residential first mortgage loans secured by one-to-four family residences, residential construction loans and consumer automobile, boat, RV, and home equity loans. In addition, loans held for sale and leases are excluded from consideration as impaired.

Impaired loans are fully or partially charged off when in management’s opinion an event or events have occurred which provide reasonable certainty that a loss is probable. When management determines that a loss is probable, a full or partial charge off is recorded for the amount the book value of the impaired loan exceeds the present value of the cash flows or the fair value of the collateral, for collateral dependent loans.

Loans considered to be impaired are reduced to the present value of expected future cash flows or to the fair value of collateral by allocating a portion of the allowance for loan losses to such loans. Any reduction in carrying value through impairment or any change in impairment based on cash payments received or revised cash flow estimates as determined on a quarterly basis would be applied against the unallocated portion of the allowance for loan losses and become a specific allocation of the allowance or as an addition to the provision for loan losses if the unallocated portion of the allowance was insufficient to cover the impairment.

Basic and diluted earnings per share are computed under the provisions of SFAS No. 128, “Earnings Per Share.” Basic earnings per share is net income divided by the weighted average number of shares outstanding during the period. Diluted earnings per share includes the dilutive effect of additional common shares issued under stock options assuming the exercise of stock options less the treasury shares assumed to be purchased from the proceeds using the average market price of UNB Corp.’s stock for the periods presented.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141. “Business Combinations.” SFAS No. 141 requires all business combinations within its scope to be accounted for using the purchase method, rather that the pooling-of-interests method. The provisions of this Statement apply to all business combinations initiated after June 30, 2001. The adoption of this Statement will only impact the Company’s financial statements if it enters into a business combination.

Also in June 2001, the FASB issued SFAS No. 142, “Goodwill and Other Intangible Assets”, which addresses the accounting for such assets arising from prior and future business combinations. Upon the adoption of this Statement, goodwill arising from business combinations will no longer be amortized, but rather will be assessed regularly for impairment, with any such impairment recognized as a reduction to earnings in the period identified. Other identified intangible assets, such as core deposit intangible assets, will continue to be amortized over their estimated useful lives. The Company is required to adopt this Statement on January 1, 2002 and early adoption is not permitted. The Company has not determined the impact of this statement on its financial statements.

Certain 2000 amounts may have been reclassified to conform to the 2001 presentation.

Note 2 — Securities

The amortized cost and estimated fair value of securities and mortgage-backed securities, available for sale and held to maturity, as presented on the consolidated balance sheet at June 30, 2001 and December 31, 2000, follows:

	June 30, 2001			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Securities available for sale:				
Obligations of U.S. government agencies and corporations	$ 14,783	$ 260	$ —	$ 15,043
Securities held to maturity:				
Obligations of state and political subdivisions	2,644	23	—	2,667
Total debt securities	17,427	283	—	17,710
Equity securities available for sale	12,908	—	(180)	12,728
Asset-backed securities available for sale	999	28	—	1,027
Total securities	31,334	311	(180)	31,465
Mortgage-backed securities available for sale	90,998	807	(66)	91,739
Mortgage-backed securities held to maturity	359	10	—	369
Total mortgage-backed securities	91,357	817	(66)	92,108
Total securities and mortgage-backed securities	$122,691	$1,128	$(246)	$123,573

	December 31, 2000			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Securities available for sale:				
U.S. Treasury securities	$ 999	$ —	$ (1)	$ 998
Obligations of U.S. government agencies and corporations	31,473	146	(15)	31,604
Securities held to maturity:				
Obligations of state and political subdivisions	4,265	10	(1)	4,274
Total debt securities	36,737	156	(17)	36,876
Equity securities available for sale	12,518	2,518	(728)	14,308
Asset-backed securities available for sale	999	—	(4)	995
Total securities	50,254	2,674	(749)	52,179
Mortgage-backed securities available for sale	78,506	268	(484)	78,290
Mortgage-backed securities held to maturity	431	7	—	438
Total mortgage-backed securities	78,937	275	(484)	78,728
Total securities and mortgage-backed securities	$129,191	$2,949	$(1,233)	$130,907

During the periods ended June 30, 2001 and 2000, the proceeds from sales of securities available for sale were $3,656 and $1,527, respectively. Net gains of $1,321 and $1,008 were recognized on those sales, respectively. There were no sales or transfers of securities classified as held to maturity.

The amortized cost and estimated fair value of debt securities at June 30, 2001, by contractual maturity, are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2001 Amortized Cost	Estimated Fair Value	Weighted Average Yield
Securities available for sale:			
U.S. Government agencies and corporations			
Due in one year or less	$ 7,311	$ 7,411	6.64%
Due after one year through five years	7,472	7,632	6.46
Total	$14,783	$15,043	6.55%
Securities held to maturity:			
Obligations of state and political subdivisions			
Due in one year or less	$ 1,871	$ 1,883	4.73%
Due after one year through five years	773	784	4.68
Total	$ 2,644	$ 2,667	4.71%
Asset-backed securities available for sale	$ 999	$ 1,027	6.85%
Mortgage-backed and collateralized mortgage obligations available for sale	$90,998	$91,739	6.28%
Mortgage-backed and collateralized mortgage obligations held to maturity	359	369	7.82
	$91,357	$92,108	6.29%

At June 30, 2001, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies and corporations, with an aggregate book value in excess of 10% of shareholders' equity. Securities with a carrying value of approximately $108,389 at June 30, 2001 were pledged to secure public funds and other obligations.

Note 3 — Loans

Total loans as presented on the balance sheet are comprised of the following classifications:

	June 30, 2001	December 31, 2000
Commercial, financial and agricultural	$110,491	$112,263
Commercial real estate	129,368	121,677
Aircraft	142,914	138,696
Residential real estate	246,678	260,088
Consumer	252,960	239,291
Total loans	$882,411	$872,015

Impaired loans were as follows:

	June 30, 2001	December 31, 2000
Loans with no allowance for loan losses allocated	$1,199	$1,343
Loans with allowance for loan losses allocated	1,402	2,516
Amount of allowance allocated	783	909
Average of impaired loans, year-to-date	3,030	3,093
Interest income recognized during impairment	90	210
Cash-basis interest income recognized year-to-date	93	206

At June 30, 2001 and December 31, 2000, loans on non-accrual status and/or past due 90 days or more approximated $1,898 and $3,141, respectively. The Other Assets Owned balance, net of allowance, was $1,897 and $394 at June 30, 2001 and December 31, 2000, respectively.

Note 4 — Allowance for Loan Losses

A summary of activity in the allowance for loan losses for the six months ended June 30, 2001 and June 30, 2000, follows:

	2001	2000
Balance — January 1	$12,760	$13,174
Provision charged to operating expense	973	370
Loans charged off	(1,358)	(1,248)
Recoveries on loans previously charged off	460	424
Balance — June 30	$12,835	$12,720

Note 5 — Concentrations of Credit Risk and Financial Instruments With Off-Balance Sheet Risk

The Corporation offers commercial, residential mortgage and consumer credit products to customers within Stark and its contiguous counties with the exception of the Aircraft Finance Group which serves a national market. The Corporation maintains a diversified loan portfolio, with commercial loans and leases, commercial real estate loans, aircraft loans, residential mortgage loans and consumer loans comprising 12.5%, 14.7%, 16.2%, 27.9% and 28.7%, respectively, at June 30, 2001. Within the consumer loan portfolio, indirect loans accounted for 55.6% of all consumer loans and 16.0% of total loans at June 30, 2001. The dealer network from which indirect loans were purchased included 106 relationships thus far in 2001, the largest of which was responsible for 5.1% of the total indirect dollar volume for the first six months of 2001.

Within the commercial real estate portfolio, real estate is mainly held as collateral while the cash flows of the business are considered the primary source of repayment on the loans. With all loan types, management attempts to balance credit risk versus return by employing conservative credit standards and comprehensive underwriting guidelines in addition to the loan review function which monitors credits during and after the approval process.

The Corporation is a party to financial instruments with off-balance sheet risk. These instruments are required in the normal course of business to meet the financial needs of its customers. The contract or notional amounts of these instruments are not included in the consolidated financial statements. At June 30, 2001, the contract or notional amounts of these instruments, which primarily include commitments to extend credit, standby letters of credit and financial guarantees, and interest rate swaps totaled $257,786.

At June 30, 2001, the Corporation held an interest rate swap agreement with a notional amount of $11,600. The notional amount of the interest rate swap does not represent an amount exchanged by the parties and is not a measure of the Corporation’s exposure through its use of derivatives. The amounts exchanged are determined by reference to the notional amount and the other terms of the interest rate swap. The following table summarizes the terms of the swap in effect:

Notional amount	$11,600
Final expiration	June 18, 2003
Variable rate in effect, June 30, 2001	3.88%
Fixed rate	5.86%
Market value, June 30, 2001	($235)

Variable interest payments received are based on the three month LIBOR rate that is adjusted on a quarterly basis. For the six month periods ended June 30, 2001 and June 30, 2000, expense of $18 and income of $42, respectively, was recorded in interest income. Under the terms of the contract, future changes in LIBOR will affect the payments received, the income or expense generated by the swap and the market value of the swap.

Note 6 — Other Borrowings

Other borrowings consist of Federal Home Loan Bank borrowings, three line of credit borrowing arrangements and a capital lease. The majority of the other borrowings at June 30, 2001 were comprised of advances from the Federal Home Loan Bank (FHLB) of Cincinnati. Pursuant to collateral agreements with the FHLB, advances are secured by FHLB stock and qualifying first mortgage loans.

At June 30, 2001, FHLB advances outstanding were comprised of the following:

Maturity	**Interest Rate**	**Amount**
2001	4.30%-7.32%	$17,710
2002	5.95%-7.32%	31,159
2003	6.25%-7.32%	1,235
2004	5.20%-7.32%	10,660
2005	4.49%-7.32%	15,547
2006	5.47%-5.59%	10,000
2011	4.70%	10,000
Total		$96,311

Based on the Bank’s investment in FHLB stock, the maximum dollar amount of FHLB advance borrowings available to the Bank is $172,750.

The Corporation has maximum borrowing arrangements of $20,050 with two national financial institutions consisting of three lines of credit. The total outstanding balance at June 30, 2001 was $15,048. United Banc Financial Services, Inc. (UBFS) arranged a $10 million line of credit to fund loan growth. The interest on each draw is variable and is priced off an index plus a spread. The loan agreement calls for quarterly interest payments and is secured by a first security agreement on UBFS receivables, the unconditional guarantee of UNB Corp., and an intercreditor agreement with United National Bank & Trust Co. The outstanding balance on this facility consists of the following draws:

Interest Rate	Amount
4.92%	$3,500
5.66	1,000
6.18	500
6.44	1,000
5.64	500
5.68	500
4.74	500
7.05	500

The Parent Company arranged an unsecured $10 million line of credit for liquidity purposes and to facilitate additional investment in subsidiaries. At June 30, 2001, the outstanding balance was $7 million with an interest rate of 4.66%. The interest is priced off the Federal Funds Rate plus 0.85% per annum and is paid quarterly.

United Financial Advisors, Inc. has an unsecured $50 line of credit with an interest rate of prime rate plus one percent that is used for liquidity purposes. As of June 30, 2001, the outstanding balance was $48 with an interest rate of 8.0%.

In 1997, the Bank entered into a capital lease to finance the acquisition of computer hardware and related software with an original amount of $252. The lease terms call for sixty monthly payments of approximately $5 with the last payment due in March, 2002. The balance outstanding at June 30, 2001 was $39.

Note 7 — Derivative Instruments and Hedging Activities

Effective January 1, 2001, the Corporation adopted the Financial Accounting Standards Board’s Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities” (FAS 133). FAS 133 requires all derivative instruments be recorded at their fair values. If the derivative instruments are designated as fair value hedges, changes in the fair value of the hedge and the hedged item are included in current earnings. Fair value adjustments related to cash flow hedges are recorded in other comprehensive income and reclassified to earnings when the hedged transaction is reflected in earnings. Ineffective portions of hedges are reflected in income currently.

UNB Corp. holds a derivative instrument in the form of an interest rate swap hedging fixed rate mortgage loans (see Note 5). The interest rate swap was recorded at fair value on the financial statements of the Corporation at the adoption of FAS 133. For the period ended June 30, 2001, $14, net of taxes, was recognized in expense for the adoption of FAS 133 on January 1, 2001 and $204 in expense was recognized for the change in the fair value of the swap since adoption.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INTRODUCTION

The following areas of discussion pertain to the consolidated financial statements of UNB Corp. at June 30, 2001, compared to December 31, 2000, and the results of operations for the quarter and year-to-date periods ending June 30, 2001, compared to the same periods in 2000. It is the intent of this discussion to provide the reader with a more thorough understanding of the consolidated financial statements and supporting schedules, and should be read in conjunction with those consolidated financial statements and schedules.

UNB Corp. is not aware of any trends, events, or uncertainties that might have a material effect on the soundness of operations; neither is UNB Corp. aware of any proposed recommendations by regulatory authorities which would have a similar effect if implemented.

FINANCIAL CONDITION

Total assets at June 30, 2001 were $1,078,695, an increase of $24,748, or 2.3%, from year-end 2000. Total earning assets at June 30, 2001 of $1,008,895 increased from year-end 2000 by $2,556, or 0.3%. Highly liquid balances, comprised of cash and cash equivalents, federal funds sold and interest bearing deposits with banks, increased by $2,170, or 6.7%, from year-end 2000.

SECURITIES
Balances in the securities and mortgage-backed securities portfolio declined from 2000 year-end balances by $7,351, or 5.6%. Within the portfolio, as obligations of U.S. government agency securities matured they were replaced with higher yielding mortgage-backed securities. The decline within the securities portfolio is partially due to a reduction of balances in equity securities. During the first six months of 2001, the equity securities in the Parent Company, which were invested in various bank stocks, were sold and a majority of the proceeds were reinvested in various equity securities to provide more diversification within the portfolio. As a result, the Parent Company's equity portfolio declined by $884. Also contributing to the decline of equity securities was the call of $1 million of FNMA Preferred Stock that was in the Bank portfolio.

LOANS
For the first six months of 2001, total loans outstanding increased by $10,396, or 1.2%, from year-end 2000. The aircraft lending area experienced growth of $4,218, or 3.0%, from 2000 year-end levels. Growth remained slower for the first six months of 2001 due to current economic conditions and lower interest rates causing an increase in payoffs. However, growth is expected to increase throughout the remainder of the year due to lower interest rates increasing demand.

Commercial loan balances decreased by $1,039, or 1.0%, from year-end 2000 levels. The decline was attributed to term loan run-off and weaker commercial loan demand. Commercial real estate balances increased by $7,691, or 6.3%, from year-end balances due to a seasonal increase in construction activity and continued growth in permanent financing opportunities.

Residential real estate balances decreased by $13,410, or 5.2%, for the six months ended June 30, 2001. The decrease was the result of lower market rates increasing the volume of payoffs and refinancings in the existing portfolio.

Consumer loans increased by $13,669, or 5.7%, from year-end 2000, with the majority of the increase, $8,933, within the home equity product, which is being promoted with lower introductory rates. Direct and indirect installment lending increased by $4,736, or 2.9%, from year-end 2000 with the Bank continuing to focus on indirect automobile lending and not on longer-term fixed rate loans such as boat and recreational vehicles. Loan activity has been concentrated in high-end used automobiles, as leasing and manufacturers' financing alternatives have dominated new automobile financing.

OTHER ASSETS
Accrued interest receivable and other assets increased by $20,603, or 139.6%, from December 31, 2000. The increase was mainly due to the Bank purchase of $20 million of bank owned life insurance (BOLI) to fund future employee benefit costs.

LIABILITIES
Total liabilities increased by $19,411, or 2.0%, from year-end 2000 levels. Deposits, the main component of liabilities, decreased by $20,750, or 2.5%, from December 31, 2000. The following table shows deposit composition and deposit mix between the periods ended June 30, 2001 and December 31, 2000:

	June 30, 2001	December 31, 2000
Non-interest bearing deposits	$104,256	$108,351
Interest bearing checking	77,846	79,894
Savings	262,214	267,486
Certificates of deposit and other time	362,575	371,910
Total deposits	$806,891	$827,641

Non-interest bearing deposits at June 30, 2001 were $4,095, or 3.8% below 2000 year-end levels and interest bearing checking decreased by $2,048, or 2.6%, from year-end 2000. The reduction in non-interest bearing deposits was partially regarded as a seasonal trend, the result of artificially high year-end balances of commercial customers. Certificates of deposit generated through the branch network remained relatively flat and $9,921 of brokered certificates matured during the first six months of 2001. Short-term borrowings, which are comprised of federal funds purchased and repurchase agreements, declined by $9,680 from December 31, 2000 due to a reduction in sweep repurchase agreement balances. Other borrowings increased by $50,210, or 82.1%, primarily due to new Federal Home Loan Bank advances that were borrowed to take advantage of lower interest rates.

CAPITAL RESOURCES
Total shareholders' equity at June 30, 2001 was $81,265, an increase of $5,337, or 7.0%, from year-end 2000. The increase in shareholders' equity was the result of year-to-date net income of $8,004, with this increase being partially offset by a reduction of $2,615 for cash dividends paid and a decrease of $553 on unrealized gains on available for sale securities, net of deferred tax. The decrease of unrealized gains on available for sale securities was mainly due to the sale of equity securities with significant market appreciation. This reduction was partially offset by an increase in the market values of fixed rate securities due to lower interest rates.

UNB Corp.'s capital ratios at June 30, 2001 and December 31, 2000 along with the ratios required for the Corporation to be adequately and well capitalized under regulatory guidelines were as follows:

	June 30, 2001	December 31, 2000	Minimum regulatory requirements for adequately/well capitalized
Total capital to risk weighted assets	10.12%	9.99%	8.0%/10.0%
Tier 1 capital to risk weighted assets	8.88%	8.64%	4.0%/ 6.0%
Tier 1 capital to average assets	7.31%	6.97%	4.0%/ 5.0%

All ratios as of June 30, 2001 exceeded the requirements for a well capitalized financial institution. At December 31, 2000 all ratios exceeded the requirements for an adequately capitalized financial institution. The ratio of equity-to-assets at June 30, 2001 was 7.53% versus 7.20% at December 31, 2000.

For the first six months of 2001 and 2000, cash dividends were $0.25 and $0.24 per share, respectively. Cash dividends paid for the period ended June 30, 2001 represents 32.7% of year-to-date net income.

RESULTS OF OPERATIONS
UNB Corp.'s second quarter 2001 net income was $3,728, or $0.35 per diluted share, compared with $3,741, or $0.35 per diluted share, for the second quarter of 2000. Excluding securities gains, second quarter 2001 net income was $3,725, or $0.35 per diluted share, compared with $3,524, or $0.33 per diluted share, for the same period in 2000. This represents an increase in earnings of 5.7% and an increase in diluted earnings per share of 6.1%. Year-to-date net income of $8,004 was $568, or 7.6%, higher than the same period in 2000. Excluding securities gains, June 30, 2001 year-to-date net income was $7,146, or $0.68 per diluted share, compared with $6,781, or $0.63 per diluted share, for the same period in 2000. This represents an increase in earnings of 5.4% and an increase in diluted earnings per share of 7.9%. For the first six months of 2001 and 2000 pre-tax gains of $1,321 and $1,008, respectively, were recognized on the sale of equity securities from the Parent Company portfolio.

Return on average assets and return on average equity for the second quarter of 2001 were 1.39% and 18.60%, respectively, compared with 1.50% and 21.30%, respectively, for the same period in 2000. On a year-to-date basis, return on average assets and return on average equity for 2001 were 1.52% and 20.42%, respectively, compared with 1.51% and 21.10%, respectively, for the same period in 2000. Adjusted for the impact of securities gains, return on average assets was 1.36% for 2001 versus 1.38% for 2000. Return on average equity was 18.23% for 2001 compared to 19.24% for 2000.

NET INTEREST INCOME
Net interest income, the Corporation's most significant source of earnings, is the difference between interest income and related loan fees earned on interest earning assets and interest expense incurred on interest bearing liabilities. For this discussion, net interest income is presented on a fully-taxable equivalent (FTE) basis. Interest on tax exempt securities and loans is restated on a fully taxable basis using the tax rate of 35% adjusted for non-deductible interest expense incurred in the acquisition of tax-free assets.

For the second quarter and year-to-date periods of 2001, net interest income increased by $1,153 and $1,998, or 12.2% and 10.7%, respectively, over the same periods in 2000. For the second quarter of 2001, total interest income increased by 3.7%, while interest expense decreased by 4.1% from the same period in 2000.

On a year-to-date basis, total interest income increased by 6.7% and interest expense increased by 3.0% from the same period in 2000. The increase in net interest income was the result of growth in average earning assets of 6.6% from June 30, 2000 to June 30, 2001 and the result of the 275 basis point reduction in rates that occurred in 2001.

NET INTEREST MARGIN
The net interest margin is net interest income (FTE) divided by average earning assets. For the six months ended June 30, 2001, the net interest margin was 4.13%, versus 3.97% for the same period in 2000, an increase of 16 basis points. Yields on earning assets increased by 3 basis points, while the cost of interest bearing liabilities decreased by 19 basis points. Asset yields were impacted by an increase in yields on the consumer and aircraft loans. The cost of interest bearing liabilities were favorably impacted by the 275 basis point reduction in rates that occurred during the first half of 2001. The cost of the Money Market Access product, which is tied to the three month Treasury rate, declined 143 basis points and the cost of FHLB advances declined by 44 basis points. This was partially offset by an increase in the cost of certificate of deposits due to the rate increases that occurred throughout 2000.

OTHER INCOME
Other income for the second quarter of 2001 was $3,462, a decrease of 0.1% from the second quarter of 2000. Excluding securities gains taken in the second quarter of 2001 and 2000, other income in the second quarter of 2001 increased from the same period in 2000 by $325, or 10.4%. On a year-to-date basis, other income as of June 30, 2001 was $7,903, an increase of 14.6% from the same period in 2000. Excluding securities gains of $1,321 and $1,008 taken in 2001 and 2000, respectively, other income increased by $693, or 11.8%, from the same period in 2000.

Service charges on deposits increased by $95, or 14.1%, during the second quarter of 2001 and by $137, or 10.2%, during the six month period ended June 30, 2001 from the same periods in 2000. The increase was mainly attributed to an increase in service charges that was effective February 1, 2001. On a year-to-date basis, Trust Department earnings were $2,685, a decrease of $102, or 3.7%, from the same period in 2000, due to the decline in the stock market since fees are tied to asset value. Gains on loans sold in the secondary market increased by $212, or 347.5%, during the second quarter of 2001 and by $415, or 500.0%, during the six month period ended June 30, 2001 from the same periods in 2000. The increase was due to declining interest rates increasing the volume of fixed rate mortgage loans available for sale. For the second quarter 2001, other operating income increased by $44, or 4.7%, from the same period in 2000. On a year-to-date basis, other operating income increased by $243, or 14.4%, from the same period in 2000. Within other operating income, income from bank owned life insurance increased by $235 and letter of credit commitment fees increased by $207, while loan brokerage income on non-conforming mortgage and aircraft loans declined by $179. The increase in letter of credit commitment fees was mainly attributed to a fee received on a purchased participation for a commercial letter of credit. The decline in brokerage income was mainly due to loans that were previously considered non-conforming and which generated the brokerage income are now being sold to FNMA and FHLMC as conforming which is reflected as gain on sale of loans and due to a decline in aircraft loans sold.

OTHER EXPENSES
Other expenses for the second quarter were $7,830, an increase of $868, or 12.5%, from the same period in 2000. On a year-to-date basis, other expenses were $15,429, an increase of $1,541, or 11.1%, from the same period in 2000. Salary, wages and benefits increased by $796, or 24.2%, during the second quarter of 2001 and by $1,173, or 17.8%, during the six month period ended June 30, 2001 from the same periods in 2000. The increase was due to annual merit increases, increased

pension and incentive compensation expense accruals and increased expenses related to deferred FASB91 costs. The increase in deferred FASB91 costs is due to lower interest rates increasing payoffs within the aircraft portfolio.

Occupancy expense for the six months ended June 30, 2001 increased by $61, or 7.2% from the same period in 2000. The increase is mainly due to an increase in rent expense from the opening of two new branches.

Derivative instruments and hedging activity expense of $204 was recognized for the six month period ended June 30, 2001, for the change in the fair value of the swap since adoption of FAS 133 on January 1, 2001.

Other operating expenses for the six month period ended June 30, 2001 was $4,573, an increase of $83, or 1.8%, from the same period in 2000. Categories with increases included investor relations expense, legal, consulting and donation expense. Investor relations expense reflects an increase resulting from the Corporation promoting the awareness of its stock. Legal and consulting expenses increased mainly due to the non-recurring expenses related to the establishment of United Portfolio Management, Inc. and the bank owned life insurance policies. These increases were partially offset by reductions in Ohio Franchise tax expense and marketing expenses. Marketing expenses were lower in 2001 since there were increased expenses in 2000 due to special promotions for the grand opening of two new branches.

The Bank resolved the legal proceedings and disposed of the environmentally contaminated seven and one half acre parcel of real estate acquired through foreclosure. The property is located in the northwest quadrant of Stark County. On July 31, 2001, the property was sold resulting in a gain of approximately $490 that will be recognized in the third quarter 2001.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan loss is maintained at levels considered sufficient to absorb probable losses in the loan portfolio. The amount of the provision for loan losses charged to expense is the amount necessary, in the opinion of management, to maintain the balance in the allowance for loan losses at an adequate level. Management reviews the amount of provision for loan losses charged to earnings based on its evaluation of the loan portfolio's credit quality, the adequacy of the allowance for loan losses under current economic conditions and current and anticipated loan growth. Due to improved underwriting, early detection systems and increased collection efforts, the ratio of net charge-offs to average loans outstanding for December 31, 2000 remained at a very low level of 0.18%.

The provision for loan losses for the first six months of 2001 was $973, an increase of $603, or 163.0%, from the same period in 2000. The increase in the provision for loan losses was due to an increase in net charge-offs of 9.0% from June 30, 2000 to June 30, 2001. In addition, management remains concerned due to the expectations of a slower economy and of the national trends indicating increased in consumer bankruptcies and foreclosures. At June 30, 2001, the allowance for loan losses as a percentage of loans outstanding was 1.45% compared to 1.46% at December 31, 2000.

Net charge-offs for the period ending June 30, 2001 and June 30, 2000 were 0.10%. A detailed analysis of the allowance for loan losses for the six months ended June 30, 2001 and June 30, 2000, follows:

	2001	2000
Balance at January 1,	$12,760	$13,174
Charge-Offs (Domestic):		
Commercial, Financial, Agricultural	357	375
Real Estate — Commercial	—	—
Real Estate — Residential	11	8
Aircraft	—	—
Consumer Loans	990	865
Total Charge-Offs	1,358	1,248
Recoveries (Domestic):		
Commercial, Financial, Agricultural	49	82
Real Estate — Commercial	—	—
Real Estate — Residential	—	—
Aircraft	—	—
Consumer Loans	411	342
Total Recoveries	460	424
Net Charge-Offs	898	824
Provision for loan losses	973	370
Balance at June 30,	$12,835	$12,720
Ratio of year-to-date net charge-offs to year-to-date average loans outstanding	0.10%	0.10%
Allowance as a percentage of total loans	1.45%	1.52%

The allowance for loan losses is allocated among the major loan categories based on historical loss factors as well as the level and trends in delinquencies, charge-offs and recoveries. The following table sets forth the Corporation's allocation of the allowance for loan losses as of June 30, 2001 and December 31, 2000:

	June 30, 2001	December 31, 2000
Commercial	$ 5,380	$ 5,063
Commercial real estate	2,556	2,149
Aircraft	1,845	2,761
Residential real estate	218	230
Consumer	2,260	2,284
Unallocated	576	273
Total	$12,835	$12,760

ASSET QUALITY

At June 30, 2001, impaired loans were $2,601, a decrease of $1,258 from December 31, 2000. The decrease in impaired loans was due to the resolution of several loan workout situations mainly within the aircraft portfolio. The amount of allowance allocated to impaired loans decreased from $909 at December 31, 2000 to $783 at June 30, 2001. Nonperforming assets, which include non-accrual loans, accruing loans past due 90 days or more, restructured loans and other assets owned were $3,795 at June 30, 2001 compared to $3,538 at December 31, 2000, an increase of $257, or 7.3%. The increase in other assets owned was due to a $1.5 million airplane that was repossessed. Subsequent to quarter end, the airplane was disposed of with no loss to the corporation. The following table presents the amounts of nonperforming assets and pertinent ratios as of the dates indicated:

	June 30, 2001	December 31, 2000	June 30, 2000
Non-accrual loans	$1,656	$2,945	$1,595
Accruing loans past due 90 days or more	242	196	87
Restructured loans	—	3	13
Other assets owned	1,897	394	455
Total nonperforming assets	$3,795	$3,538	$2,150
Total nonperforming assets as a percentage of total loans and other assets owned	0.43%	0.41%	0.26%

The ratio of nonperforming loans to total loans outstanding at June 30, 2001 of 0.43% is a two basis point decline from year-end 2000. This ratio compares favorably to the ratio for the Corporation's peers, all bank holding companies with consolidated assets between $1 billion and $3 billion, which stands at 0.69% at March 31, 2001, the most current data available.

LIQUIDITY

Management ensures the liquidity position of the Corporation is adequate to meet the credit needs and cash demands of its borrowers and depositors in a timely and cost-effective manner. Principal sources of liquidity for the Corporation are cash and cash equivalents, federal funds sold and the cash flows provided by maturities and amortizations in the loan and securities portfolios. Total cash, federal funds sold, interest bearing deposits with banks and securities available for sale of $154,862 represented 14.4% of total assets at June 30, 2001. Of the securities available for sale, $15,043 were held in U.S. Treasury and Agency securities, 49.3% of which mature within one year. Approximately $108,389 of total Corporate securities were pledged as collateral to secure public fund deposits, sweep or term repurchase agreements or other obligations. The Corporation's ability to raise funds in the market place is provided by the Bank's branch network, in addition to the availability of Federal Home Loan Bank (FHLB) advance borrowings, brokered deposits, Federal funds purchased and securities sold under agreement to repurchase.

The liquidity needs of the Parent Company, primarily cash dividends, treasury stock purchases and vendor and tax payments, are met through cash, securities in the Parent Company, dividends from the Bank and borrowings from a third party financial institution.

UNITED FINANCIAL ADVISORS, INC.

UNB Corp.'s subsidiary, United Insurance Agency, Inc., announced on June 13, 2001 that it will merge with Rownd Financial Advisors Corp. The merger enables United Financial Advisors, Inc. to offer an expanded, well-rounded array of products and services related to financial planning, insurance, annuities, investments and brokerage services. The impact of the merger on earnings is expected to be neutral in 2001 and accretive to diluted earnings per share in 2002.

FORWARD LOOKING STATEMENTS

Certain statements contained in this report that are not historical facts are forward looking statements that are subject to certain risks and uncertainties. When used herein, the terms “anticipates,” “plans,” “expects,” “believes,” and similar expressions as they relate to UNB Corp. or its management are intended to identify such forward looking statements. UNB Corp.’s actual results, performance or achievements may materially differ from those expressed or implied in the forward looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, governmental policies and regulations, and rapidly changing technology affecting financial services.

UNBCORP.
CONSOLIDATED AVERAGE BALANCE SHEETS

(In thousands)	2nd Qtr 2001	2nd Qtr 2000	2nd Qtr YTD 2001	2nd Qtr YTD 2000
ASSETS				
Cash and cash equivalents	**$ 28,456**	$ 26,010	**$ 28,290**	$ 27,653
Federal funds sold	**3,664**	12,987	**2,677**	12,338
Interest bearing deposits with banks	**1,343**	85	**1,114**	52
Securities, net	**39,607**	42,101	**43,023**	44,763
Mortgage-backed securities	**86,667**	80,766	**81,914**	81,500
Loans originated and held for sale	**3,911**	1,163	**3,651**	714
Loans:				
Total loans	**882,016**	825,930	**877,998**	808,691
Less allowance for loan losses	**(12,925)**	(12,889)	**(12,915)**	(12,963)
Net loans	**869,091**	813,041	**865,083**	795,728
Premises and equipment, net	**10,984**	10,901	**11,014**	10,816
Intangible assets	**2,183**	2,969	**2,257**	3,089
Accrued interest receivable and other assets	**28,918**	12,524	**21,413**	11,720
Total Assets	**$1,074,824**	$1,002,547	**$1,060,436**	$988,373
LIABILITIES				
Deposits:				
Noninterest bearing deposits	**$ 100,530**	$ 98,837	**$ 99,680**	$ 95,616
Interest bearing deposits	**710,712**	707,917	**716,579**	694,660
Total deposits	**811,242**	806,754	**816,259**	790,276
Short-term borrowings	**73,247**	67,364	**71,849**	68,939
Other borrowings	**101,990**	50,696	**85,112**	50,899
Accrued taxes, expenses and other liabilities	**7,969**	7,291	**8,185**	7,373
Total Liabilities	**994,448**	932,105	**981,405**	917,487
SHAREHOLDERS' EQUITY				
Common stock	**11,646**	11,646	**11,646**	11,646
Paid-in capital	**28,928**	29,008	**28,934**	29,008
Retained earnings	**61,241**	51,069	**60,115**	49,771
Treasury stock	**(21,748)**	(20,849)	**(21,872)**	(19,800)
Accumulated other comprehensive income	**309**	(432)	**208**	261
Total Shareholders' Equity	**80,376**	70,442	**79,031**	70,886
Total Liabilities and Shareholders' Equity	**$1,074,824**	$1,002,547	**$1,060,436**	$988,373

See Notes to the Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MARKET RISK

In the normal course of business, the Corporation is exposed to interest rate risk caused by the differences in cash flows and repricing characteristics that occur in various assets and liabilities as a result of changes in interest rates. The asset and liability management process is designed to measure and manage that risk to maintain consistent levels of net interest income and net present value of equity under any interest rate scenario.

The Corporation uses a dynamic computer model to generate earnings simulations, duration and net present value forecasts and gap analyses, each of which measures interest rate risk from a different perspective. The model incorporates a large number of assumptions, including the absolute level of future interest rates, the slope of the yield curve, various spread relationships, prepayment speeds, repricing opportunities, cash flow characteristics of instruments without contractual maturity dates and changes in the volumes of multiple loan, investment and deposit categories. Management believes that individually and in the aggregate these assumptions are reasonable, but the complexity of the simulation modeling process results in a sophisticated estimate, not a precise calculation of exposure.

One of the most significant assumptions is the assignment of deposit balances without a stated maturity date to specific time frames. Since these deposits are subject to withdrawal on demand, and have rates that can be changed at any time, they could be considered immediately repriceable and assigned to the shortest maturity, resulting in a significant level of liability sensitivity. However, actual practice indicates that balances are withdrawn and replaced over a much longer time frame, and rates are modified less frequently and in smaller increments than changes which occur in financial market rates. The Corporation uses a statistical analysis of historical deposit behavior to derive appropriate distributions of deposit balances over the simulation time horizon. The model then applies a predetermined immediate parallel increase or decrease in the level of interest rates to forecast the impact on both net interest income and capital one year forward. While this methodology provides a comprehensive appraisal of interest rate risk, it is not necessarily indicative of actual or expected financial performance. Changes in interest rates that affect the entire yield curve equally at a single point in time are not typical. The residential mortgage prepayment assumptions are based on industry medians and could differ from the Corporation’s actual results due to non-financial prepayment incentives and other local factors. The behavior of depositors is based on an analysis of historical changes in balances and might not fully reflect current attitudes toward other investment alternatives. Moreover, the model does not include any interim changes in strategy the Corporation might instate in response to shifts in interest rates.

At June 30, 2001, assuming an immediate, parallel 200 basis point shift in market yields, the Corporation’s net interest income for the next twelve months was calculated to increase by approximately 8.86% if rates fell and decrease by 10.88% if rates rose. The net present value of equity is defined as the difference between the present value of the Corporation’s assets and liabilities. In general, the present value of fixed rate financial instruments declines as market rate increase and increases as rates fall. Using the yield scenario defined above, the net present value of equity was forecasted to decline by 9.03% in a rising rate environment and to rise by 9.84% in a falling rate scenario. The duration of total assets was 51 months, compared to a duration of total liabilities of 29 months, indicating that liabilities will both reprice faster than assets and change in value by a smaller amount than the assets over a similar time frame.

Interest rate risk can be managed by using a variety of techniques, including selling existing assets or repaying liabilities, pricing loans and deposits to attract preferred maturities and developing alternative sources of funding or structuring new products to hedge existing exposures. In addition to these balance sheet strategies, the Corporation can also use derivative financial instruments such as interest rate swaps, caps, and floors to minimize the potential impact of adverse changes in interest rates. During the second quarter, the Corporation acquired $20,000 in advances from the Federal Home Loan Bank with semi-annual laddered maturities from three to four and one-half years, and plans to issue $10,000 in national market certificates of deposits with a maturity of three years. Both of these transactions lengthen the duration of total liabilities to minimize the effect of rising rates on future net interest income.

The Corporation has a pay-fixed amortizing interest rate swap executed in 1998 as a hedge against fixed rate mortgages held in the portfolio. The net cash flows and market value of the swap move inversely with those of the fixed rate loans in the portfolio, which reduces the Corporation's exposure to changing interest rates. If rates rise, the Corporation receives net cash flows from the swap which compensates for the opportunity loss of holding an asset with a below market yield. Alternatively, the increase in the market value of the swaps would balance the loss on the mortgage loans if the loans were sold. If rates fall, the net cash flows given up are offset by the increased value of assets with an above market yield. The gain that would be realized on the sale of the loans would counteract the loss on the termination of the interest rate swap. At the end of June, the swap had a net loss of $235 on outstanding notional principal of $11,600.

UNB CORP.
PART II — OTHER INFORMATION

Item 1 — Legal Proceedings

The nature of UNB Corp.'s business results in a certain amount of litigation. Accordingly, the Corporation and its subsidiaries are subject to various pending and threatened lawsuits in which claims for monetary damages are asserted in the ordinary course of business. While any litigation involves an element of uncertainty, in the opinion of management, liabilities, if any, arising from such litigation or threat thereof will not have a material effect on the Corporation.

Item 2 — Changes in Securities and Use of Proceeds

Not applicable.

Item 3 — Defaults Upon Senior Securities

Not applicable.

Item 4 — Submission of Matters to a Vote of Security Holders

UNB Corp. held its Annual Meeting of Shareholders on April 24, 2001, for the purpose of electing four directors, to adopt the form and use of the indemnification agreement for directors and to transact such other business as would properly come before the meeting. The purpose of the indemnification agreement for directors, is to insure that UNB Corp. will be able to attract and retain qualified people to serve as directors. Increases in litigation risks impair a company's ability to recruit and retain qualified people. Therefore, UNB Corp. believes it is necessary and desirable to provide directors with assurance that the burden of liability and litigation expenses arising out of their services will be indemnified to the full extent permitted by the Ohio General Corporation Law. The adoption of the indemnification agreement required the holders of a majority of the voting power, excluding shares held by the directors, to vote in favor of approval. Results of shareholder voting on these issues were as follows:

		Election of Directors		
	Roger L. DeVille	**Nan B. Johnston**	**Edgar W. Jones**	**E. Scott Robertson**
For	9,062,299	9,067,946	8,701,567	9,085,524
Against	66,644	60,997	427,376	43,419
Shares not voted by Brokers	224,358	224,358	224,358	224,358

	Proposed use of Indemnification Agreement for Directors
For	8,380,044
Against	368,261
Abstain	598,885
Shares not voted by brokers	7,415

Item 5 — Other Information

Effective April 1, 2001, United Portfolio Management, Inc. was established as a wholly owned subsidiary of the Bank. The new subsidiary was established to provide independent management of the securities portfolio.

Item 6 — Exhibits and Reports on Form 8-K

A. Exhibit Number	Exhibit
10.r	Messrs. Edgar W. Jones, Jr., Roger L. DeVille, E. Scott Robertson, E. Lang D'Atri, Robert L. Mang, Roger L. Mann, Marc L. Schneider, George M. Smart, Louis V. Bockius III, Russell W. Maier, Robert J. Gasser, and Mrs. Nan B. Johnston and Mrs. Jane M. Timken entered into indemnification agreements with UNB Corp. on May 17, 2001 identical to the form of Exhibit 10.r. Additionally, UNB Corp. entered into indemnification agreements with Messrs. James J. Pennetti and Robert M. Sweeney on May 17, 2001 identical to the form of Exhibit 10.r.
10.s	Messrs. Roger L. Mann, Leo E. Doyle, James J. Pennetti, Robert M. Sweeney and Scott E. Dodds entered into severance agreements with UNB Corp. on May 8, 2001 identical to the form of Exhibit 10.s. Additionally, UNB Corp. entered into a form of severance agreement with an officer of a subsidiary company on May 8, 2001 identical to the form of Exhibit 10.s except that the change-in-control severance benefit provided by Section 2 (a)(1) of the Severance Agreement for the unnamed officer of the subsidiary is two time the executive's annual compensation (as that term is defined in the severance agreement). Additionally, in the last "whereas" recital clause appearing on page 1 in the form of severance agreement executed by Messrs. Mann, Doyle, Pennetti, Sweeney and Dodds on May 8, 2001, each executive's existing change-of-control agreement was entered into on different dates.

B. Reports — Form 8-K — During the second quarter of 2001 the Registrant filed one report on Form 8-K. This report, filed June 20, 2001, disclosed the transaction in which Rownd Financial Advisors Corp. merged with United Insurance Agency, Inc., a wholly owned subsidiary of UNB Corp. Immediately following the merger United Insurance Agency, Inc. changed its corporate name to United Financial Advisors, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNB CORP.
(Registrant)

Date August 10, 2001

/s/ James J. Pennetti
James J. Pennetti (Duly authorized officer and Chief Financial Officer, UNB Corp